

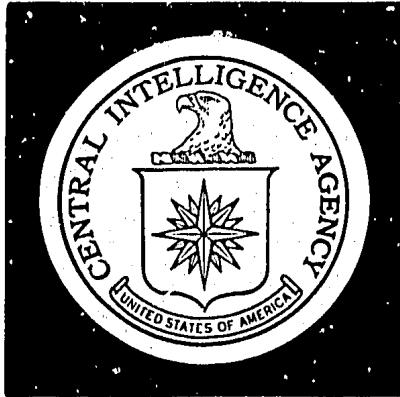
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**DIRECTORATE OF  
INTELLIGENCE**

# Intelligence Memorandum

*The Character Of Soviet And East European  
Economic Involvement In Iran*

**Secret**

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July 1971

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## CENTRAL INTELLIGENCE AGENCY

Directorate of Intelligence

July 1971

## INTELLIGENCE MEMORANDUM

THE CHARACTER OF SOVIET AND EAST EUROPEAN  
ECONOMIC INVOLVEMENT IN IRANIntroduction

1. The warming of political relations between Iran and the Soviet Union during the 1960s is mirrored best by the rapid growth of Iran's economic ties with the Communist countries. Iran has received some \$1 billion in Communist aid and is now the fourth largest recipient of Soviet economic commitments and the second largest recipient of East European aid. Only India and the United Arab Republic have received larger amounts of Communist aid.

2. The Communist programs in Iran have achieved their present magnitude only over the past few years and are being implemented more rapidly than their programs in other less developed countries. Although such aid still represents only a small part of the total financing for Iran's economic development program, it is important in some sectors and is the dominant foreign activity in the northern part of the country. This memorandum analyzes the significance of Iran's expanding economic relations with the Communist countries and assesses its future implications.

DiscussionPolitical Underpinning for Expanded Economic Relations

3. The rapid growth of Soviet and East European economic relations with Iran during the latter half of the 1960s stems primarily from the sharp

*Note: This memorandum was prepared by the Office of Economic Research and coordinated within the Directorate of Intelligence.*

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change in Soviet policy toward Tehran in the early part of the decade. In contrast to the varying degrees of Soviet hostility toward Iran in the 1940s and the 1950s, Moscow abruptly shifted its policy in 1962 and began to woo Tehran with political and economic overtures. These Soviet initiatives were motivated largely by the same objectives which formed the basis for Moscow's policies toward all Third World countries -- to erode Western influence and to substitute its own. In the case of Iran, Moscow also had the additional strategic considerations of dismembering the Central Treaty Organization and of developing "safe" buffer states along its southern borders. In recent years, the economic benefits which might accrue to the USSR from its trade and aid ties with Iran have become important considerations.

4. Tehran's receptivity to Moscow's overtures was a reflection of the changing international political atmosphere. It appeared inconsistent to Tehran that, in view of the apparent detente in East-West relations that followed the Cuban missile crisis of 1962, it maintain a rigid posture toward the USSR while Western-Soviet relations were improving. The detente also decreased the Shah's fear of Soviet military action against Iran and heightened his desire to reduce the country's extensive dependence on the United States for military, political, and economic support. Moreover, the USSR appeared to be a worthwhile additional source of economic aid to be tapped. The Shah's belief that he could deal safely with Moscow is reflected in his willingness to permit the Communist countries to play a role in Iran's economic development and even to obtain commitments of some \$310 million worth of military equipment from the Soviet Union.

Initiation of Communist Economic Aid to Iran

5. The current pattern of Iranian-Soviet relations dates from September 1962, when the USSR accepted a unilateral Iranian pledge that no foreign missile bases would be permitted on Iranian soil. Moscow initially had refused to accept such a pledge and had insisted instead on a non-aggression pact that would preclude the stationing of foreign troops in either country. This shift in Soviet policy was followed quickly by a halt in overt Soviet propaganda attacks against the Shah and by an effort to expand economic relations between the two countries. Instruments of ratification for transit and border agreements, signed in 1957 but never brought into force, were exchanged late in 1962.

6. Communist economic relations with Iran burgeoned over the next few years. Moscow extended a \$39 million economic aid credit to Iran in 1963. The following year, Iran and the USSR concluded a three-year trade and payments agreement and their first civil air agreement, and Poland extended a \$15 million economic aid credit. Additional sizable East

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European credits were extended in 1965, but the first major Soviet economic aid commitment to Iran did not come about until 1966, when the USSR extended more than \$305 million in new credits. By the end of 1970 the USSR and the countries of Eastern Europe had extended more than \$1 billion of economic aid to Iran (see Table 1). The Soviet Union has accounted for nearly 58% of total Communist aid.

**Character of Communist Aid**

7. About two-thirds of Communist economic aid has been allocated for industrial development. Some 60% will be used for heavy industry, including such projects as a steel mill at Isfahan, a machine tool plant in Arak, and a lead and zinc smelter at Kerman. Smaller amounts have been allocated for transportation, agriculture, electric power, and vocational training. Only 18% has been made available for non-project uses.

8. The largest Soviet project in Iran is the Isfahan steel mill (see Figure 1). As with many other "showpiece" aid undertakings in Third World countries, the steel mill is a project the Soviets agreed to undertake after it was turned down by the West as not being economically feasible. Some \$190 million was allocated in 1966 for the construction of the first stage of the plant (see Table 2 1/). Work on the project has moved along rapidly. The blast furnace was completed in September 1970, and the plant is expected to be completed in 1971 with an annual capacity of 600,000 tons. This should meet a large part of the country's present steel requirements. In 1968, Moscow extended a development credit to Iran of \$178 million, part of which will be used to expand the plant's capacity to 1.2 million tons by 1973. Surveys also are under way to determine the feasibility of expanding the mill's capacity to 4 million tons by 1980.

9. In October 1970 the USSR received its first delivery of Iranian natural gas through a 690-mile Soviet-built gas pipeline from the oil and gas fields in southern Iran to the town of Astara on the Soviet border (see Figure 2). The USSR agreed to undertake construction of the line in 1966 and allocated some \$77 million for the project -- about 11% of the total cost of \$700 million. The Soviet credit was used to cover the cost of technical services on the 309-mile northern segment of the line (from Saveh to Astara) and for turbines and compressors for the entire line. Iran also had found little enthusiasm in the West for this project, and only after it was initiated were Western credits forthcoming. Most of these credits were used to finance the purchase of pipe and auxiliary supplies. Some \$245 million were obtained from sources in the United

1. For Tables 2 through 7, see the Appendix.

Table 1  
Communist Economic Aid Extended to Iran

	Million US \$								
	<u>1963-70</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
<i>Total</i>	1,004.2 <i>a/</i>	39.8	16.7	125.0	305.5	10.0	252.8	200.0	54.4
USSR	578.3	38.9	1.7	0	305.5	0	177.8	0	54.4
Eastern Europe	425.9 <i>a/</i>	0.9	15.0	125.0	0	10.0	75.0	200.0	0
Bulgaria	10.0	-	-	-	-	10.0	-	-	-
Czechoslovakia	215.0	-	-	15.0	-	-	-	200.0	-
Hungary	50.0	-	-	10.0	-	-	40.0	-	-
Poland	15.9 <i>a/</i>	0.9	15.0	-	-	-	-	-	-
Romania	135.0	-	-	100.0	-	-	35.0	-	-

*a. Excluding \$6.1 million in commercial credits for two sugar refineries extended in 1958 and 1959.*

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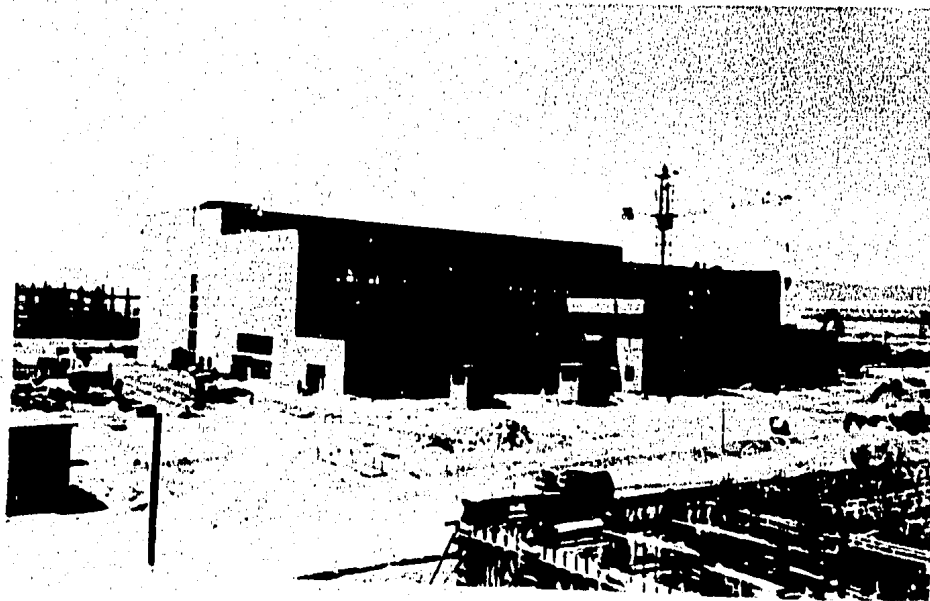
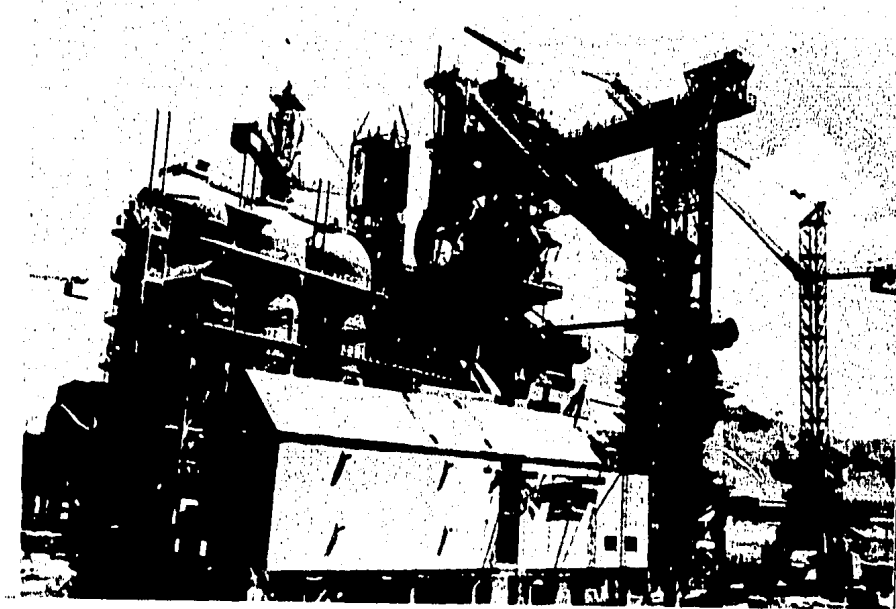


Figure 1. Isfahan Steel Mill, October 1970

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Figure 2. Boosting Station Number 8 for the Main Gas Pipeline at Lakan

Kingdom (\$72 million), France (\$70 million), West Germany (\$55 million), Japan (\$33 million), the United States (\$14 million), and the Netherlands (\$1 million).

10. Another major Soviet industrial project being built in northern Iran is a 30,000-ton capacity machine tool plant at Arak. The total cost of the plant is estimated at \$100 million, of which \$23 million will be covered by a Soviet credit. The plant is scheduled for completion in 1971 and is expected to meet a large part of Iran's requirements for certain types of heavy machinery.

11. In the agricultural sector, construction recently was completed on a joint undertaking on the Aras River hydroelectric and irrigation scheme. It is the only Soviet agricultural aid project in the Third World which provides economic benefits to donor and recipient alike. The project included construction of two hydroelectric stations (one on each side of the border) with a combined capacity of 44,000 kilowatts, a diversion dam at Aslanduz (Iran) and a storage dam at Qeshlaq. The waters collected behind the dam eventually will be used to irrigate some 495,000 acres on both sides of the river. Soviet assistance also is being provided for the development of Iran's Caspian Sea fish resources and for the construction of 42 grain silos throughout Iran. The USSR completed a \$4.8 million sturgeon hatchery in September 1970.

12. Soviet assistance for Iran's transportation facilities is concentrated near their joint borders, thus tying the north's economy more closely to the USSR. Soviet undertakings in this sector include the enlargement of Iran's Caspian Sea port facilities at Bandar Pahlavi and Nau Shahr and surveys for the reconstruction of a railroad from Tabriz to the border city of Julfa, for the development of Farahabad as Iran's largest Caspian Sea port, and for a site to build a railroad bridge to Iranian Astara. The two countries also agreed in 1969 to expand customs facilities at the border towns of Astara and Julfa to ease transshipment of goods.

13. East European assistance to Iran also stresses capital projects, primarily in the north. Nearly 90% of total East European economic aid has been earmarked for industrial projects (see Figures 3 and 4). Among the more important projects are a Czech machine tool plant and a Romanian tractor plant being built in an industrial park in Tabriz (see Table 3). The latter plant is expected to begin assembling in 1971 some 5,000 tractors

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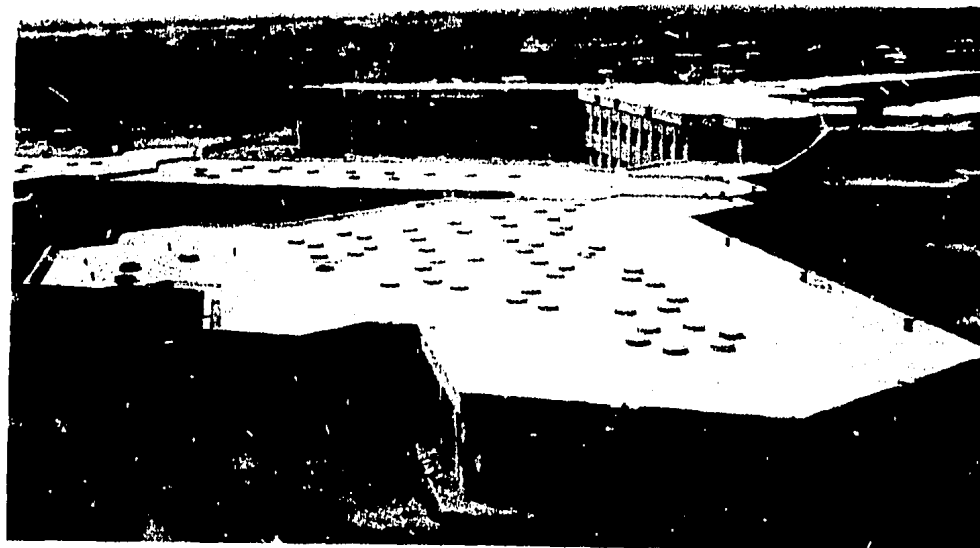
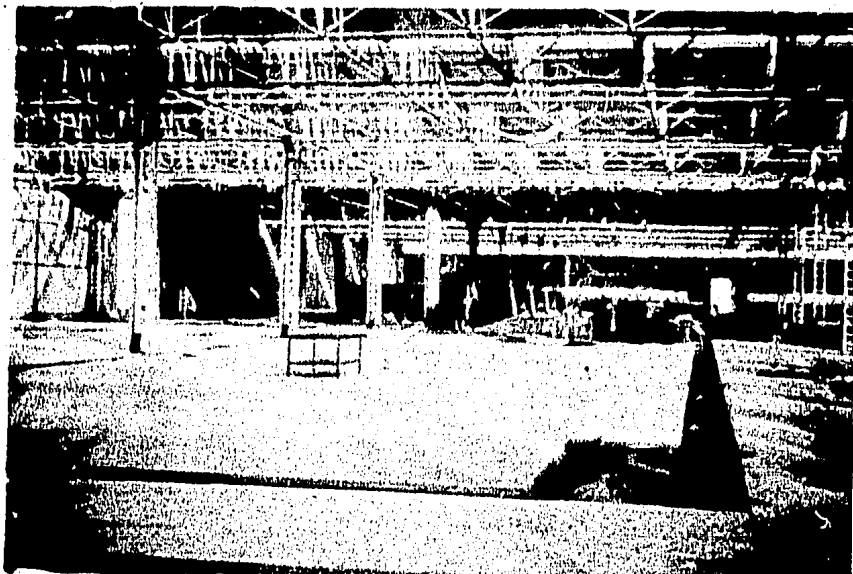


Figure 3. Czech Machine Tool Plant  
Under Construction at Tabriz, 1969

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Figure 4



Interior of Romanian-Built Tractor Assembly  
Plant at Tabriz, 1969



Polish-Equipped Sugar Refinery  
at Fariman, 1960

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annually from imported Romanian components. Conversion to local manufacture of all parts for about 10,000 tractors annually is scheduled for 1975.

#### Drawings

14. Expenditures under Communist aid have accelerated in recent years, and more than one-fourth of total Communist economic aid extended to Iran has been delivered since 1967. This rate of drawings is largely due to the rapid deliveries of Soviet aid since 1968. Some \$232 million, or about 40% of total Soviet economic aid extended to Iran, had been delivered by the end of 1970. Soviet aid deliveries to Iran during 1970 accounted for more than one-fourth of some \$340 million in Soviet aid delivered to all Third World countries during the year. Deliveries to Iran are expected to remain at a high level at least until 1974.

#### Repayment

15. Almost all Soviet credits to Iran carry Moscow's usual repayment terms of 12 years and 2.5% interest. East European credits generally provide for repayment periods of five to eight years, although a few credits allow 10 and 12 years for repayment. Interest charges usually are 2.5%-3%. Practically all Communist credits call for repayment in Iranian commodities, primarily natural gas and oil. For the Communist countries, this reflects part of a larger effort to develop additional sources of supply to meet their growing energy requirements.

16. Moscow has agreed to accept natural gas as repayment for most of its credits, including its military credits, with the balance of the debt repayable in other Iranian goods and some hard currency. Over the period 1970-85, Iran will deliver to the USSR about 140 billion cubic meters of gas valued at some \$1 billion. About 80% of these deliveries will cover debt payments to the Soviet Union. Although the earnings from the gas deliveries are small in comparison with the more than \$1 billion in hard currency Iran earned from the Western Oil Consortium in 1970, they still represent substantial foreign exchange savings. Moreover, such deliveries represent an exchange of a commodity that was being burned as a waste during the extraction of crude oil for Soviet machinery, equipment, and technical assistance.

17. Deliveries to the USSR are scheduled to rise from 6 billion cubic meters in 1971 to 10 billion cubic meters annually from 1974 through 1985 as the gas-gathering system is expanded. The total amount of gas transported through the pipeline will reach 16 billion cubic meters annually in 1974; 6 billion cubic meters will be available for Iranian consumption.

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Gas deliveries will reach their peak in 1974, about the time debt repayments also will be approaching their highest level. In that year, for example, gas deliveries will total \$69 million and cover about 85% of Iran's estimated economic and military debt payment due the USSR in 1974 (see Table 4).

18. Since the 10 billion cubic meters imported annually from Iran will represent only a small part of total Soviet consumption, Iranian gas is not critical for Soviet energy requirements. Production of gas in the USSR in 1970 totaled some 200 billion cubic meters. Imports from Iran, however, serve as a convenient supplement to the dwindling supplies in Soviet Azerbaijan and save the cost of bringing gas into the area from more distant fields in Soviet Central Asia. 2/ The use of Iranian gas also will permit the USSR to export more expensive Soviet gas to Eastern and Western Europe where prices exceed the cost of gas purchased from Iran. The USSR is paying Iran the relatively low price of \$6.60 per 1,000 cubic meters. 3/ With an eye toward future requirements, Moscow signed a 15-year trade agreement with Iran in October 1970 which provides for a doubling of gas exports if cost studies prove a second pipeline to be economically feasible. 4/

19. Repayment of most East European credits to Iran will be made in crude oil. Over the next 15 years, Iran will export some 34 million metric tons of petroleum to Eastern Europe as repayment for aid, less than one-fourth of Iran's total oil exports in 1970 alone. Thus far, however, the only exports to Eastern Europe of any consequence have gone to Romania. Romania imported 2.2 million metric tons in 1970, and it plans to import more than 10 million metric tons during 1970-75. A Czech credit of \$200 million extended to Iran in 1969 calls for repayment with 20 million metric tons of petroleum over a 12-year period.

2. This is the second such Soviet agreement. In 1963 the USSR agreed to accept repayment of a \$39 million credit to Afghanistan in natural gas pumped through a Soviet-constructed pipeline to Soviet Uzbekistan.

3. Moscow is paying Afghanistan \$5.60 per 1,000 cubic meters. These prices contrast with the current world market price of \$12-\$13 per 1,000 cubic meters.

4. Two proposals to cover the cost of the second pipeline are being studied. Under one plan, the USSR would bear the entire cost of the pipeline and would amortize it through the import of Iranian gas. Under an alternative plan, Iran would bear the entire cost and the USSR would accept delivery of the gas at its border, paying the price Iran would receive from sales in Western Europe less transportation costs.

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20. As the pace of construction on Communist aid projects has increased, the number of Communist technical personnel in Iran also has risen. There were about 150 Soviet technicians in Iran in 1964. The number increased sixfold by 1967 and rose to about 1,600 in 1970. The number of East European technicians employed in Iran has ranged between 250 and 300 during the past four years. In addition, nearly 1,300 Iranian technical personnel have trained in Communist countries since the mid-1960s. About two-thirds of the Soviet personnel present in Iran in 1970 were employed on the construction of the steel mill and its related facilities. Other Soviet personnel were engaged in construction of the Arak machine tool plant, in transportation surveys, and in mineral, oil, and coal exploration activities in northern Iran.

21. The foreign exchange cost to Iran of Soviet technicians generally is covered by the Soviet credit. These costs have risen substantially in recent years, amounting to \$12 million in 1970. Outlays for Soviet technical services since 1963 are estimated to have consumed 15%-20% of total drawings on Soviet aid credits. Expenditures for East European technicians, which are running at about \$2 million annually, usually are not covered by credits but represent a current account outlay.

Economic Aid Financing for Iran's Development Plan

22. Original investment goals during Iran's Fourth Five-Year Plan (March 1968 - March 1973) were set at some \$10.7 billion, of which the government expects to provide \$8.1 billion. <sup>5/</sup> Despite the extensive level of Communist aid activities, their credits represent less than 10% of Iran's total planned investment. Communist aid, however, will play an important role in the development of public sector industry. Some \$725 million of Communist aid have been earmarked for industry (about 27% of total planned Iranian industrial investment and nearly two-thirds of the \$1.1 billion of public investment allocated for that sector).

23. Despite total deliveries of almost \$1 billion of economic aid from Western official sources, the flow of Western official capital directly into

*5. Actual allocations for the Plan probably will be even higher. It was originally planned that some \$5.1 billion would be channeled into the development program from the \$6.4 billion in oil revenues anticipated during the Plan period. Under an agreement reached in February 1971 with the Western oil companies operating in Iran, oil revenues will be increased by about \$1 billion during the remainder of the Plan period. Iran already has indicated that the additional income will be used for economic development.*

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Iran's development program has not been significant in recent years (see Table 5). Western annual aid commitments and expenditures have averaged about \$65 million and \$48 million, respectively, during 1963-69. About \$60 million has been provided as grant aid during this period. About 65% of Western aid, however, has come from the United States, which in recent years has been confined largely to PL-480 (Food for Peace) assistance. The US Agency for International Development assistance was terminated in 1967. France, the United Kingdom, and West Germany have accounted for most of the remainder of Western aid. As a result, Iran has drawn heavily upon private sources to finance its development programs, with much of this aid representing government-guaranteed credits for privately undertaken industrial and electric power projects.

#### Impact of Communist Aid on Iranian Trade

24. Although trade with the Communist countries represents only a small part of total Iranian trade, it accounts for a sizable share of Iran's non-petroleum trade. The magnitude of this trade with the USSR has jumped sharply in recent years as the pace of implementation of Soviet aid projects has increased (see Table 6). Imports of more than \$160 million from the USSR in 1969 were almost 11 times the level in 1965, while exports to the USSR of some \$56 million were more than three times the 1965 level. The Soviet Union absorbed nearly one-fourth of Iran's non-petroleum exports in 1969 and provided some 12% of Iran's imports. Estimated Soviet aid deliveries accounted for more than one-third of total Soviet exports to Iran during 1965-69. About half of Soviet exports to Iran in 1968 and 1969 consisted of aid deliveries.

25. Eastern Europe's trade with Iran also has risen sharply in recent years. Exports to Iran almost tripled to some \$71 million between 1965 and 1968, although they slipped back to about \$58 million in 1969. Imports from Iran in 1969 were almost double the level of 1965.

26. The aid program also has had an impact on the commodity composition of Iran's trade with the Communist countries. Although the composition of Soviet-Iranian trade has remained about the same, the relative shares of different commodities have shifted sharply (see Table 7). Whereas machinery and equipment accounted for less than 10% of Soviet exports to Iran in 1965, that category was more than 80% of the total in 1969. Vegetable oils, refined sugar, and iron and steel products represented most of the balance of Soviet exports to Iran. Cotton fiber, fruits and vegetables, and ores and concentrates have comprised most of Iran's exports to the USSR. As the level of repayment rises and recent long-term agreements are implemented, there will be further increases in trade and an even more dramatic shift in Iranian exports to the

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Communist countries. Natural gas and crude petroleum eventually should constitute a major share of Iran's exports to the Communist countries.

### Conclusions

27. The warming of political relations between Tehran and Moscow during the 1960s generated a substantial expansion of Iran's economic relations with the Communist countries. By the end of 1970, Iran had received more than \$1 billion in economic aid commitments and has become the third largest recipient of Communist economic aid. Some two-thirds of this aid has been allocated for industrial projects, primarily for heavy industry. Implementation of Communist aid, particularly Soviet aid, is progressing rapidly, and the Iranian program has become the most dynamic of the Communist aid programs in the Third World. In 1970, Iran accounted for more than one-fourth of total Soviet economic aid outlays in all of Moscow's aid recipients in the Third World.

28. Despite the level of aid activities of the USSR and Eastern Europe, their commitments still represent only a small part of planned outlays for Iran's current Five-Year Plan. Total expenditures for the Plan were set at \$10.7 billion, of which the government expects to provide some \$8.1 billion. At least \$5.1 billion will come from oil revenues. Communist aid, however, is expected to cover more than one-fourth of total planned industrial investment and almost two-thirds of public investment in that sector.

29. The Communist programs in Iran are somewhat unique in that economic benefits accrue to donor and recipient alike. Aside from the capital investment obtained from the USSR, Iran will repay most of the aid received with a resource that previously had been wasted. A Soviet-built pipeline running to the USSR will enable Iran to deliver nearly \$1 billion worth of natural gas to the Soviet Union over the next 15 years, most of it to repay Soviet aid credits. For Moscow, the natural gas represents a useful supplement needed for the growing energy requirements of Soviet Azerbaijan and the Transcaucasus region. Iran and the USSR also will benefit from the recent completion of a joint multipurpose project which will provide power and water for irrigation to both countries. Over the next 15 years, East European countries will receive some 34 million metric tons of Iranian crude oil as repayments for their credits. Combined with imports under regular commercial agreements concluded to date, Iran eventually will be a source for some 30% of East European oil imports from the Free World.

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30. Although trade with the Communist countries represents only a small part of Iran's total trade, it accounts for a sizable part of Iran's non-petroleum trade. This trade has grown as the aid program accelerated. In 1969 the Communist countries accounted for 16% of Iran's imports and 35% of its non-petroleum exports.

31. Iran's economic relations with the Communist countries are likely to continue to grow during the 1970s. Huge oil revenues, however, will keep Iran's international economic contacts flexible and will prevent the development of any significant dependence on the Communists. Aside from the political goals close economic ties serve, Iran is likely to become an increasingly important source of supply to meet the expanding energy requirements of the Communist countries. Iran, on the other hand, finds the Communist countries a convenient supplemental trading area and source of investment funds. As its development program expands, additional investment opportunities will open up for Communist participation. Communist willingness to accept natural gas and crude oil (resources Iran has in abundance) as repayment for aid is an inducement Iran cannot ignore.

32. An additional consideration for Iran is its growing balance-of-payments problems. As its payments position has weakened in recent years, foreign exchange reserves have declined. In order to meet the deficits which have occurred on the non-oil and services accounts, Iran has borrowed heavily. A large part of this borrowing has been short- and medium-term loans, with the result that during 1970 an outlay of more than \$250 million was required to service the public debt. These payments difficulties are likely to persist despite the recent agreement to increase oil revenues because of Iran's growing economic and military requirements. Under these conditions, Communist barter-aid relationships become additionally attractive.

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**APPENDIX**

**Statistical Tables**

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Table 2  
Soviet Economic Aid to Iran

Date of Agreement	Value of Agreements (Million US \$)	Allocation of Credits	Terms of Repayments
<i>Total</i>	<i>573.3</i>		
July 1963	38.9	Hydroelectric and irrigation dam, Aras River	Payment in 12 years at 3.6% interest in local goods.
December 1964	1.7	Tabriz electric power station -- 12,000 kw capacity	N.A.
1966	16.6 <sup>a/</sup>	Port equipment, Bandar Pahlavi (\$1.5 million)	Payment in eight years at 3% interest in hard currency.
January 1966	288.9	Steel mill, Isfahan Gas pipeline, technical services and compressors (\$77.0 million) Machine tool plant, Arak (\$23.0 million)	Payment in 12 years at 2.5% interest in local goods, primarily in natural gas deliveries.
June 1968	177.8	Expansion of steel mill, Isfahan Reconstruction, Julfa-Tabriz Railroad (\$17.7 million) Lead and zinc smelter, Kerman	Payment in 12 years at 2.5% interest in local goods, primarily in natural gas deliveries
October 1970	44.4	Capital goods	N.A.
October 1970	10.0	Eight vocational schools	N.A.

a. The amount extended reflects an adjustment for downpayments.

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Table 3  
East European Economic Aid to Iran

	Date of Agreement	Value of Agreement (Million US \$)	Allocation of Credits	Terms of Repayment
Total		432.0		
Bulgaria	February 1967	10.0	Industrial machinery and equipment	Payment in five-eight years presumably at 2.5% interest in local goods.
Czechoslovakia		215.0		
	November 1965	15.0	Metallurgical and engineering plant, Tabriz	Payment in 10 years at 2.5% interest in local goods or convertible currency.
	March 1969	200.0	Industrial plants	Payment in 12 years at 2.5% interest in crude oil.
Hungary		50.0		
	May 1965	10.0 a/	Capital goods	Payment in 10 years at 2.5% interest in local goods.
	April 1968	40.0 a/	Line of credit	Payment in 12 years at 2.5% interest in crude oil.
Poland		22.0		
	February 1958	2.5 a/	Sugar mill, Fariman	Payment in five years at 3.0% interest in hard currency.
	January 1959	3.6	Sugar mill, Bijan	Payment in 4-1/2 to 7 years at 3.0% interest in hard currency.

Table 3  
East European Economic Aid to Iran  
(Continued)

	Date of Agreement	Value of Agreement (Million US \$)	Allocation of Credits	Terms of Repayment
Poland (Continued)	1963	0.9	Expansion of sugar mill, Fariman	Payment presumably in five years at 3.0% interest in hard currency.
	February 1964	15.0 <sup>a/</sup>	Sugar refineries and cold storage plants	Payment in 10 years at 2.5% interest in local goods.
Romania		<u>135.0</u>		
	October 1965	100.0	Tractors and ploughs; tractor plant, Tabriz; railroad cars; machinery and equipment	Payment in 10 years at 2.5% interest in local goods, 85% of which will be crude oil.
	1968	35.0	Agricultural equipment and plywood products plant.	Payment in five years at 2.5% interest in local goods.

a. The amount extended reflects an adjustment for nonpayments.

Table 4

Projected Iranian Payments of Principal and Interest  
for Communist Economic and Military Aid

Million US \$					
Year	Total Payments	Payments to the USSR			Total Payments to Eastern Europe
		Total	Economic Aid	Military Aid	
Total	1,046	758	460	298 a/	288
1960-66	7	Negl.	Negl.	-	7
1967	1	1	1	-	-
1968	6	4	2	2	2
1969	14	11	7	4	3
1970	28	23	15	8	5
1971	43	36	25	11	7
1972	63	53	36	17	10
1973	78	64	40	24	14
1974	98	78	46	32	20
1975	112	86	49	37	26
1976	119	86	50	36	33
1977	124	86	50	36	38
1978	121	81	48	33	40
1979	120	78	47	31	42
1980	112	71	44	27	41

a. Repayment terms on most of the \$310 million of Soviet military aid extensions to Iran are not known. It is assumed, however, that they carry the same 10 years and 2.5% interest as the initial Soviet military aid credit of \$110 million extended in January 1967.

Table 6

## Iran's Trade with the USSR and Eastern Europe a/

	1960	1965	1966	1967	1968	1969
	Million US \$					
Iran's total world exports	897	1,303	1,309	1,927	1,870	2,100
Excluding petroleum	173	163	162	187	180	240
Exports to USSR	19	18	19	31	40	56
Exports to Eastern Europe	10	21	22	24	29	38
	Percent					
Share of USSR						
Including petroleum exports	2	1	1	2	2	3
Excluding petroleum exports	11	11	12	17	22	23
Share of Eastern Europe						
Including petroleum exports	1	2	2	1	2	2
Excluding petroleum exports b/	6	13	14	13	14	12
	Million US \$					
Iran's total world imports	558	860	929	1,124	1,394	1,380
USSR	18	15	31	63	88	162
Eastern Europe	13	25	29	44	71	58
	Percent					
Share of USSR	3	2	3	6	6	12
Share of Eastern Europe	2	3	3	4	5	4

a. Soviet trade data are from the official Soviet trade yearbook, Foreign Trade Handbook; East European figures are from official country data reported by the Department of Commerce of the United States. Iran's total trade figures are from official country data reported by the International Monetary Fund (IMF) in Direction of Trade and International Financial Statistics.

b. Petroleum exports to Eastern Europe, which were negligible in 1967, amounted to some \$3 million in 1968 and \$10 million in 1969.

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Table 5

## Total Gross Official Bilateral Economic Aid Deliveries to Iran

Million US \$										
Donor	1954-61	1962	1963	1964	1965	1966	1967	1968	1969	Total
Total	595.2	65.3	45.4	26.2	42.5	49.1	88.4	135.6	128.3	1,176.0
Western a/	589.1	65.3	44.9	25.2	38.1	43.6	64.4	84.1	37.6	992.3
Austria	-	-	-	0.1	4.3	5.0	14.1	2.1	-	25.6
Belgium	-	-	-	-	-	0.1	0.1	0.1	0.1	0.4
Denmark	-	-	-	-	-	0.1	0.1	1.9	0.8	2.9
France	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Italy	0.6	-	0.1	0.1	0.2	-	-	0.9	1.6	3.5
Japan	0.3	0.2	0.1	0.5	0.1	0.1	0.2	0.4	2.5	4.4
Norway	-	-	-	-	0.1	0.1	0.2	0.2	0.2	0.8
Sweden	-	-	0.1	-	-	-	-	-	-	0.1
Switzerland	-	-	0.1	-	0.1	-	-	0.1	-	0.3
United Kingdom	7.3	0.5	0.7	0.7	0.5	3.0	6.6	2.8	1.0	23.1
United States	561.5	56.0	38.0	17.0	27.7	27.0	32.0	66.0	9.0	834.2
West Germany	19.4	8.6	5.8	6.8	5.1	8.2	11.1	9.6	22.4	97.0
Communist b/	6.1	0	0.5	1.0	4.4	5.5	24.0	51.5	90.7	183.7

a. Western countries include those countries which are members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). Deliveries include grants, net loans repayable in recipients' currencies, net transfers of resources through sales for recipients' currencies, and loans with maturities over one year. While determination cannot be made of the amount delivered on those loans with maturities of more than one up to and including five years, it is known that extensions of such loans for the period 1962-69 amount to \$38.2 million. Information on deliveries during 1970 is not available.

b. Deliveries of Communist aid include grants and loans with maturities of five years or more. Deliveries of Communist economic aid during 1970 amount to \$108.4 million.



Table 7

## Iran's Trade with the USSR, by Major Commodity a/

	Million US \$					
	1960	1965	1966	1967	1968	1969
<i>Exports to the USSR</i>	19.0	18.1	19.4	30.6	40.1	56.4
Cotton fiber	5.5	4.3	3.7	6.6	8.8	15.4
Fruits and vegetables	2.6	2.4	2.4	3.6	7.3	8.9
Ores and concentrates	2.1	4.8	5.8	5.4	4.8	6.1
Clothing and underwear	-	-	0.2	4.0	4.0	5.2
Fish and fish products	1.2	1.5	1.7	2.1	2.5	3.3
Raw skins	1.7	1.4	2.5	2.2	2.5	3.1
Wool	4.4	0.4	1.9	1.8	2.3	1.1
Other commodities	1.5	3.3	1.2	4.9	7.9	13.3
<i>Imports from the USSR</i>	18.0	15.3	31.0	63.0	88.1	161.6
Machinery and equipment	2.3	1.4	8.8	33.3	57.6	132.0
Vegetable oils	-	-	2.6	9.6	8.5	9.1
Refined sugar	5.2	5.5	7.8	6.7	6.3	5.0
Iron and steel	1.9	2.0	3.6	4.1	5.2	4.9
Round timber and lumber	3.1	2.7	3.3	3.1	4.2	4.1
Paper	0.5	0.4	0.6	0.7	0.7	1.0
Cement	-	-	1.3	1.2	0.7	0.7
Other commodities	5.0	3.3	3.0	4.3	4.9	4.8

a. Data are from the official Soviet trade yearbook, Foreign Trade Handbook.

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